

MINUTE ITEM

15. REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, P.R.C. 1551.1, SIGNAL OIL AND GAS COMPANY, HUNTINGTON BEACH, ORANGE COUNTY - W.O. 3391.

Following presentation of Calendar Item 31 attached, there was considerable discussion, during which the Executive Officer assured the Commission that the staff recommendation for deferment was not based on the current economic situation, and that for the record it would be specifically noted in the agreement that economic conditions were not the basis for deferment.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE COMMISSION AUTHORIZED THE EXECUTIVE OFFICER TO GRANT TO SIGNAL OIL AND GAS COMPANY, OPERATOR UNDER STATE OIL AND GAS LEASE P.R.C. 1551.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE TO JANUARY 1, 1961, WITH THE UNDERSTANDING THAT THE AGREEMENT IS TO STIPULATE THAT ECONOMIC CONDITIONS WERE NOT THE BASIS FOR GRANTING SUCH DEFERMENT; AND FURTHER, THE GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT DURING THE PERIOD OF DEFERMENT THE LESSEE WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE DEVELOPMENT ON THE LEASE;
2. QUITCLAIM THE UNDEVELOPED LEASE AREA;
3. PRESENT ADEQUATE BASES FOR CONSIDERATION AS TO ANY FURTHER DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE.

Attachment

Calendar Item 31 (1 page)

CALENDAR ITEM

31.

REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, P.R.C. 1551.1, SIGNAL OIL AND GAS COMPANY, HUNTINGTON BEACH, ORANGE COUNTY - W.O. 3391.

Oil and Gas Lease P.R.C. 1551.1 was issued to Richfield Oil Corporation, Hancock Oil Company, and Signal Oil and Gas Company on August 16, 1955, pursuant to competitive public bidding.

On May 28, 1959 (Minute Item 14, page 4854), the Commission authorized a deferment of drilling and operating requirements under State Oil and Gas Lease P.R.C. 1551.1 to January 1, 1960. The lessees have drilled two wells into the leased area, neither of which has been productive of oil or gas. The second well was abandoned in April 1956. In the course of drilling operations, electric logs, dipmeter surveys, sidewall samples, and cores were taken, and core analyses were made. These operations were conducted at a cost of approximately \$208,000.

An application has been received from Signal Oil and Gas Company, operator, requesting a further extension of the deferment of drilling and operating requirements to January 1, 1961. The lessees are conducting further studies of available geologic data in order to determine whether further exploration operations are justified. In view of such factors as the Orange County tideland litigation and the present economic condition of the oil industry, no exploration operations are currently being conducted by the lessees; however, under more favorable conditions, and if the results of current studies justify any further exploration program, additional drilling operations may be conducted at a future date.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GRANT TO SIGNAL OIL AND GAS COMPANY, OPERATOR UNDER STATE OIL AND GAS LEASE P.R.C. 1551.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE TO JANUARY 1, 1961.

THE GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT DURING THE PERIOD OF DEFERMENT THE LESSEE WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE DEVELOPMENT ON THE LEASE;
2. QUITCLAIM THE UNDEVELOPED LEASE AREA;
3. PRESENT ADEQUATE BASES FOR CONSIDERATION AS TO ANY FURTHER DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE.